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SUBJECT: AFGHAN FINANCE MINISTER DISCUSSES LONDON CONFERENCE PREPARATIONS AND OTHER TOPICS

¶1. (SBU) Summary: Afghan Minister of Finance Omar Zakhilwal explained his understanding of Afghan preparations for the January 28-29 London Conference to Coordinating Director of Development and Economic Assistance Ambassador E. Anthony Wayne and Embassy Staff December 29, and invited Embassy assistance in preparing development documents for the conference. Zakhilwal said he was comfortable with the general direction of preparations but indicated that the Afghans are still working hard to coordinate and one of his key advisors said they are very concerned that the British are pushing too hard for specific development commitments at London. The advisor said that these commitments are more apt for the subsequent Kabul conference in March or April. Ambassador Wayne indicated our support for a well-prepared Kabul conference to address development issues with more specifics, rather than trying to rush for London. In a separate meeting on December 30, Afghan Foreign Minister Spanta told Deputy Ambassador Ricciardone that the Turkish government was organizing a January 25 Trilateral with the Afghan and Pakistan sides and a January 26 "regional summit" in Istanbul prior to London, both attended by President Karzai and aiming to address the same broad themes (reported septel). END SUMMARY.

¶2. (SBU) During a December 29 office call, which also discussed reforming USG salary support for Afghan officials in the office of the Presidency and several ministries (septel), Finance Minister Zakhilwal said that Afghan Government (GIRoA) preparations for the London Conference are going well despite the short time frame and the ongoing confirmation process for all cabinet members.

PAPERS FOR LONDON CONFERENCE

¶3. (SBU) The Afghan Government is preparing a number of documents for the London Conference being prepared by different ministries. Defense Minister Wardak and Interior Minister Atmar are preparing a paper on security topics. This is currently a 4-5 page paper with a description of the current situation, timelines and goals for transition and discussion of commitments that both Afghans and partners should make. Zakhilwal said he has the lead on development and governance papers covering aid and development. The MFA is holding a meeting with the UK Embassy and Afghan Ministers on December 30. In a separate meeting Foreign Minister Spanta indicated that he would provide a readout a day or two later of that meeting and Afghan goals.

¶4. (SBU) The Finance Ministry is preparing two documents for London. The first document explains the concept of creating clusters of ministries with a lead ministry/minister in each cluster and talks about the need to focus assistance and capacity building on the eight ministries that handle 80% of the development budget. The second paper, on aid effectiveness, focuses on pressuring donors to deliver more assistance through the Afghan Government. Because donors doubt GIRoA's technical capacity to receive and utilize USG funds, Zakhilwal will include a capacity building plan. This plan aims to utilize the U.S. and multi-donor funded Afghanistan Civilian Technical Assistance Plan (CTAP) to increase the capacity of GIRoA ministries. Ambassador Wayne welcomed the idea of additional funding through GIRoA, but stressed the need to show that funds can be handled effectively and transparently. He mentioned the Congressional notification language which Congress included in the

2010 budget for any money going directly to the Afghan government. Zakhilwal said he welcomed such language as a way to press for needed reforms. Ambassador Wayne asked that USAID-Afghanistan share this language with the Ministry of Finance.

¶ 5. (SBU) Zakhilwal said he has also prepared a paper on corruption/service delivery for which he hopes the High Office of Oversight (HOO) will take ownership and present as an anti-corruption/good governance initiative in London. The paper will identify key public services which currently offer big opportunities for corruption and which can be turned around with capacity building and assistance. He said he hopes the HOO can take his draft ideas and add enforcement as part of a larger anti-corruption package.

¶ 6. (SBU) The Foreign Affairs Ministry is taking the lead on regional cooperation. (Though Zakhilwal did not mention it, it's understood that the Palace is also preparing a paper on reconciliation/reintegration.) In a separate meeting on December 30, Foreign Minister Spanta told Ambassador Ricciardone and Political Counselor Pforzheimer that they would press for a "Preparatory Committee" to be formed after London to work out the exact content of the Kabul conference, which is where we would properly get into details of economic development and governance.

U.S. HELPING GIROA GET READY FOR LONDON

¶ 7. (SBU) Minister Zakhilwal expressed concern for getting the information prepared in time for the January 28 London Conference. He reported that the documents are too long and the GIRoA offices are challenged by the efforts to shorten them. The Minister asked for USG review and assistance with the documents his ministry is

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preparing. Ambassador Wayne responded positively to this, suggesting that his office and USAID team up to provide such assistance in reviewing the draft documents.

¶ 8. (SBU) One of Zakhilwal's close advisors added that the Ministry is very concerned that the British are pushing too hard for specific development outcomes in London. She said that there is not enough time to do the work needed to do that before London, noting that ministers are still going through the confirmation process in Kabul. Echoing Foreign Minister Spanta's views, she said that it would also make more sense to develop specifics on development, governance and aid for the Kabul conference planned for March or April. Ambassador Wayne said he agreed that the goal for London on development and governance should be to set broad goals and directions and then specifics including benchmarks should be developed in the weeks following for the Kabul conference.

¶ 9. (SBU) Ambassador Wayne also indicated that the World Bank staff was on track to issue its judgment of Afghanistan's new mining regulations in early January, which is the last remaining benchmark for being granted HIPC (Highly Indebted Poor Country) debt relief. While the World Bank may not be able to conduct a board meeting on HIPC before the London Conference, he said he was still hopeful that a means might be found to give a positive signal in time for the conference as Zakhilwal had previously requested. The Ambassador and Minister agreed to remain in close touch on this and other issues.

¶ 10. (U) SEPTELS will report discussion on other issues, including steps to reform significantly existing programs that have provided salary supplements to select Afghan officials and Turkish government plans to host a January 25 Trilateral with the Afghan and Pakistan sides and a January 26 "regional summit" in Istanbul prior to London, both attended by President Karzai and aiming to address the same broad themes.

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